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No. 01-863

In the Supreme Court of the United States

FIN CONTROL SYSTEMS PTY, LTD., PETITIONER

v.

SURFCO HAWAII

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING RESPONDENT

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QUESTION PRESENTED

Whether a person that sells a replacement part for a patented invention is liable for contributory patent infringement if the part is used, without permission of the patentee, to replace an unpatented working part of the invention.

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This brief is submitted in response to the order of the Court inviting the Solicitor General to express the views of the United States.

STATEMENT

Petitioner Fin Control Systems Pty, Ltd. (FCS) is the owner of patents on a surf craft with a removable fin system. FCS complained that respondent Surfco Hawaii's (Surfco) sale of replacement surfboard fins infringes FCS's patents. In response, Surfco brought this action for a declaratory judgment of noninfringement, and FCS counterclaimed for a judgment of infringement. The United States District Court for the District of Hawaii granted FCS's cross-motion for summary judgment, holding that Surfco's actions infringed

FCS's patents. Pet. App. A1-A21. The court of appeals reversed the district court's judgment, holding that Surfco's actions do not infringe because they do not result in a reconstruction of the patented invention. *Id.* at B1-B7.

1. The United States patent laws provide that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent." 35 U.S.C. 101. The patent grants "the right to exclude others from making, using, offering for sale, or selling the invention." 35 U.S.C. 154(a)(1). A person is liable for infringement of a patent if that person "without authority makes, uses, offers to sell, or sells any patented invention." 35 U.S.C. 271(a) (Supp. V 1999).

In 1952, Congress amended the patent laws to define contributory patent infringement. Section 271(b) provides that "[w]hoever actively induces infringement of a patent shall be liable as an infringer." 35 U.S.C. 271(b). Section 271(c) states: "[w]hoever offers to sell * * * a component of a patented machine * * * constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer." 35 U.S.C. 271(c) (Supp. V 1999).

2. FCS owns three U.S. patents. Pet. App. A1-A2 (U.S. Patent Nos. 5,328,397, 5,464,359, and 5,672,081). The patents cover a surf craft and a fin and plug combination that fits into the body of the surf craft. See *id.* at A2, B2-B3. The plug has openings for receiving screws that allow users to secure or replace the fins. See *ibid.* FCS licenses its invention to surfboard

manufacturers and sells replacement fins directly to surfboard owners. See *ibid.* The capacity to remove and replace a surfboard's fins allows the owner to replace broken fins without purchasing a new board, to replace the fins with new fins for performance-related reasons, and to remove the fins to make transportation less cumbersome. See *ibid.*

Surfco sells to surfboard owners replacement fins for the FCS, as well as other, removable fin systems. See Pet. A2, B3; see also http://www.surfcohawaii.com. Surfco claims that the rubber edge of its fins provides improved safety and performance over other fins. See *id.* at B3; see also Br. in Opp. 4. Although Surfco sells a variety of surfing equipment, Surfco states that it does not sell surfboards and that it does not sell the fins at issue here to surfboard manufacturers for use in place of FCS fins on new surfboards. *Id.* at 4-5.

3. FCS complained that Surfco is engaged in contributory infringement of FCS's patents, and Surfco filed this declaratory action for noninfringement. Surfco argued that customers who purchase a surfboard with a removable fin system are entitled to repair or improve any part of the surfboard, including the fins, so long as they do not "make" a new surfboard. FCS counterclaimed for inducement of infringement and contributory infringement, arguing that the case law of this Court and the Federal Circuit prohibits owners of patented products from replacing working parts of the invention. Both parties moved for summary judgment. See Pet. App. A2, B3.

The district court granted FCS's motion, holding that surf craft owners infringe FCS's patents when they replace the original fins with Surfco's fins. The court began by noting an area of agreement: "There is no question that surfboard owners are legally entitled to

buy [Surfco's] fins to replace worn or broken FCS fins." Pet. App. A4. The district court concluded, however, that "[a]s a general rule, the replacement of an *unworn* component of a patented combination is an impermissible reconstruction." *Id.* at A5 (emphasis added). The court acknowledged an exception to that rule that permits "the owner of a patented combination [to] modify its existing elements to lengthen its useful life," but found that the exception "does not describe what Surfco is doing here." *Id.* at A6. Thus, because the "record makes clear that Surfco contemplated the replacement of unworn FCS fins with [Surfco's] fins," surfboard owners infringed FCS's patent by using Surfco's fins. *Id.* at A7. Accordingly, the court held that Surfco was liable for inducement of infringement and for contributory infringement. *Ibid.*

4. The court of appeals reversed. Pet. App. B1-B7. The court of appeals rejected the district court's view of the case law, stating that "[p]recedent amply supports the right of a purchaser of a patented device to do more than simply replace spent or broken parts." *Id.* at B6. The court of appeals recognized that "extension of the useful life of an article is the usual reason for modification or replacement of component parts." *Id.* at B7. The court reasoned, however, that the "right of 'repair' follows from the exhaustion of a patentee's right to control the disposition of a patented article after it has been sold." *Id.* at B6. Accordingly, "[t]he owner may use, repair, and modify the device as long as there is not reconstruction of the entity as to in fact make a new article." *Id.* at B6-B7 (internal quotation marks omitted). Here, "[t]he patented surf craft is not 'recreated' by the substitution of a different set of fins." *Id.* at B7. The court of appeals accordingly ruled that surfboard owners do not infringe FCS's patents by replacing

FCS's fins with fins purchased from Surfco. *Ibid.* Because the surfboard owners can permissibly use Surfco's fins, the court held that Surfco's sale of its fins does not constitute inducement of infringement or contributory infringement. *Ibid.*

DISCUSSION

The court of appeals correctly concluded that Surfco's sale of replacement surfboard fins facilitates a permissible modification of the surfboard owner's property and does not infringe FCS's patents for a surf craft with a removable fin system. That fact-based decision is correct and is not in conflict with any decision of this Court, with any other Federal Circuit decision, or with any decision of any other court of appeals. Further review by this Court is not warranted.

1. The court of appeals correctly concluded that the owner of a patented product may replace parts without permission of the patentee so long as the owner does not remake the patented product. The purchaser of a patented article has the rights of any owner of personal property. *Mitchell* v. *Hawley*, 83 U.S. (16 Wall.) 544, 548 (1872). Thus, "the rule is well settled that the purchaser may continue to use the implement or machine purchased until it is worn out, or he may repair it or *improve upon it as he pleases*." *Ibid.* (emphasis added). The right to repair or improve a patented product that one owns derives from the longstanding principle of federal patent law that an unrestricted first sale of a patented article "exhausts the monopoly in that article and the patentee may not thereafter, by virtue of his patent, control the use or disposition of the article." *United States* v. *Univis Lens Co.*, 316 U.S. 241, 250 (1942). The rationale for that rule of exhaustion is clear: Once the inventor sells an article embodying the

patented invention, he has received the financial reward that the patent laws assure him. *Id.* at 251.

As the court of appeals recognized, this Court's decision in *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336 (1961), sets out the "controlling inquiry" in this case. The Court ruled in that case that the purchaser of an automobile is permitted to replace worn top fabric with fabric manufactured by third-parties, stating the following "plain and practical test": "'The [patent] monopolist cannot prevent those to whom he sells from . . . reconditioning articles worn by use, unless they in fact make a new article.'" *Id.* at 343 (quoting *United States* v. *Aluminum Co. of Am.*, 148 F.2d 416, 425 (2d Cir. 1945) (L. Hand, J.)). "Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or of different parts successively, is no more than the lawful right of the owner to repair his property." *Aro Mfg.*, 365 U.S. at 346; see *Leeds & Catlin Co.* v. *Victor Talking Mach. Co.*, 213 U.S. 301, 336 (1909) (purchasers of a patented product may "preserve its fitness for use so far as it may be affected by wear or breakage."); *Wilson* v. *Simpson*, 50 U.S. (9 How.) 109 (1850) (purchaser of a patented planing machine may replace worn knives without the patentee's consent).

In this case, the court of appeals correctly concluded that an owner of a patented device, in this case a surfboard with a fin-replacement system, may likewise replace an unbroken part without permission of petitioner. FCS, having received payment from the sale of the product it patented, has ceded authority to the purchaser to "improve upon it as he pleases." *Mitchell*, 83 U.S. (16 Wall.) at 548. The purchaser may make changes to improve the utility of the device so long as the purchaser does not make a "new article" that

infringes the original (or any other) patent. *Aro Mfg.*, 365 U.S. at 346. As the court of appeals recognized, the "patented surf craft is not 'recreated' by the substitution of a different set of fins." Pet. App. B7. Accordingly, there is no infringement of FCS's patents by the surfboard owner (and thus, necessarily, no contributory infringement by Surfco) because there is no new making of the patented invention. See *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422, 425 (1964) (the purchaser of patented fish-canning machines may resize the machines to pack different cans because the adaptation "improved the usefulness of these machines" and was not a "'reconstruction'" of the patented device).

FCS is mistaken in its contention (Pet. 7-13) that the owner of a patented product may not replace working parts without permission of the patentee. As the court of appeals recognized (Pet. App. B7), the ordinary reason for replacing a part of a product is that the part is worn or broken while the rest of the product remains in good working order. But an owner of a product can do more than "repair" it. As discussed above, once the patent owner sells the invention, the purchaser can not only repair the product, but can do anything – use it, improve it, modify it, sell it – short of reconstructing a new product. Pet. App. B6-B7.

Indeed, adopting petitioner's proposed rule would result in a marked departure from current commercial understandings and practices. As Justice Black noted in *Aro Manufacturing*, the small businesses that manufacture the "comparatively smaller parts of larger products" for the "replacement" market are of "great importance in our competitive economy." 365 U.S. at 357 (Black, J., concurring). Consumers routinely customize a wide variety of products, ranging from automobiles to computer equipment, by replacing unworn

elements with preferred substitutes. Those actions do not infringe on the patents that pertain to the original products. Yet under petitioner's proposed rule, those activities would be forbidden in the absence of the patentee's consent.

In this case, there is no serious argument that the surfboard owners who replace the fins are recreating the patented invention—a surfboard with a fin-replacement system. If replacing a fin remakes the surf craft, then replacing even a broken fin would be prohibited because only the patentee has the right to make the invention. But as the district court noted, "[t]here is no question that surfboard owners are legally entitled to buy [respondent's] fins to replace worn or broken [petitioner] fins." Pet. App. A4. Because it is undisputed that owners can replace broken fins, replacing fins cannot amount to remaking FCS's surf craft with a fin-replacement system. And because any activity short of remaking the patented invention is permitted, there is no requirement that the fin stop working before it can be replaced.

It necessarily follows that Surfco's sale of replacement fins to the owners for that purpose cannot constitute contributory infringement, for there can be no contributory infringement in the absence of direct infringement. See 35 U.S.C. 271(c) (Supp. V 1999). Indeed, rather than competing in the market for the patented surf craft, Surfco's provision of replacement parts with a customizing potential may well augment the desirability of the patented product to some potential purchasers.

2. Contrary to FCS's claims (Pet. 13-16), the court of appeals' decision here is in harmony with established case law, including the Federal Circuit's precedents. For example, in *Hewlett-Packard Co.* v. *Repeat-O-Type*

Stencil Manufacturing Corp., 123 F.3d 1445, 1452 (Fed. Cir. 1997), cert. denied, 523 U.S. 1022 (1998), purchasers of patented printer cartridges changed the way the cap connected to the rest of the cartridge so that consumers could refill them with ink. In rejecting a claim of patent infringement, the court of appeals agreed that the modification "is not conventional repair" because the cartridge worked prior to the modification. *Id.* at 1452. Nevertheless, the court concluded that the modification was permissible because it "improved" the cartridges' "usefulness" by allowing "customers to use them for their own purposes." *Ibid.*; see *Kendall Co.* v. *Progressive Med. Tech., Inc.*, 85 F.3d 1570 (Fed. Cir. 1996) (right of repair includes right to replace still-working pressure sleeves of a patented medical device).

Hewlett-Packard provides an apt analogy to this case. As in *Hewlett-Packard*, the modification in this case—replacing the unpatented fin—"is not conventional repair" in instances in which the part is not broken. But "neither is [the purchaser's] modification a 'reconstruction' of the patented [invention]" because, as the court of appeals emphasized, only the fin is replaced. Instead, Surfco's fins allow the surfboard owners to improve the surfboard's "usefulness" by allowing "customers to use them for their own purposes." FCS suggests that *Hewlett-Packard* does not permit "[u]nlimited replacement of parts." Pet. 16. But this case involves replacement of *one* part—the fin. It presents no occasion to address the consequences of a more extensive replacement. For example, if this case involved the creation of new surf craft with fin replacement systems from the remnants of irretrievably damaged and discarded surfboards, it would present different questions. Cf. Brief for Federal Cross-Respondents, in *Fuji Photo Film Co.* v. *Jazz Photo*

Corp., No. 01-1376 (discussing the application of repair and reconstruction principles to the refurbishing of disposable cameras).[1]

FCS's reliance (Pet. 16-17) on *Dawson Chemical Co.* v. *Rohm & Haas Co.*, 448 U.S. 176 (1980), is also misplaced. According to FCS, the Court's interpretation in *Dawson* of the patent law's contributory infringement provisions, set out in 35 U.S.C. 271 (1994 & Supp. V 1999) (see p. 2, *supra*), provide FCS with "the right to exclude others from contributorily infringing its patents by selling compatible fins without its authorization." Pet. 17. Petitioner is mistaken. The *Dawson* decision involved a distinctly different situation in which the Court upheld the patent holder's right to maintain a contributory infringement suit in the first-sale, rather than the replacement, market.

In *Dawson*, a chemical manufacturer obtained a patent on a method for applying an unpatented herbicide that had no use except through application under the patented method. The company sold the unpatented herbicide only in conjunction with its patented process. The Court upheld the right of the patent holder to bring a contributory infringement suit against another company that later sold the same herbicide and instructed farmers on how to apply it under the patented method. The Court in *Dawson* specifically distinguished that situation from the situation in *Aro Manufacturing*. See *Dawson*, 448 U.S. at 216-220. In *Dawson*, the dispute arose in the "primary-use market for a chemical process" rather than the "replacement market out of which the *Aro* litigation arose." *Id.* at 220. The Court noted that the distinction is crucial

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[1] We have supplied the parties in this case with a copy of that brief.

because it "ensures that the patentee's right to prevent others from contributorily infringing his patent affects only the market for the invention itself." *Ibid.* "Because of this significant difference in legal context," its "interpretation of § 271(d) does not conflict with [*Aro*]." *Ibid.*

In this case, FCS's effort to control the sale of unpatented fins is not directed toward protecting its patent rights in the "primary-use market" for surf craft with a replaceable fin system, but rather to controlling the "replacement market" for fins. Hence, *Dawson* addresses an explicitly distinguishable situation and does not conflict with the court of appeals' correct application of *Aro Manufacturing* to this case. For the same reason, FCS's reliance (Pet. 19) on cases such as *Preemption Devices, Inc.* v. *Minnesota Mining & Manufacturing Co.*, 803 F.2d 1170, 1173 (Fed. Cir. 1986), and *King Instrument Corp.* v. *Otari Corp.*, 814 F.2d 1560, 1564 (Fed. Cir. 1987), is misplaced. Those cases involve first sales of the patented product. They do not involve sales of replacement parts to parties who have already purchased the patented invention.[2]

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[2] FCS also mistakenly relies (Pet. 18-19) on the dissent in *Everpure, Inc.* v. *Cuno, Inc.*, 875 F.2d 300 (Fed. Cir. 1989), cert. denied, 493 U.S. 853 (1989). In that case, the court of appeals permitted sales of an adaptor that allowed use of third-party filters in a patented filter assembly for purifying water. The dissenting judge (Judge Newman, who wrote the opinion in this case), would have found that the adaptor constituted reconstruction of the filter assembly because it was a "material and complex part of the total claimed invention." *Id.* at 306 (Newman, J., dissenting). But even if that dissent had precedential force, there is no plausible basis for claiming here that the unpatented fin sold by Surfco is a "material and complex" part of FCS's invention.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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